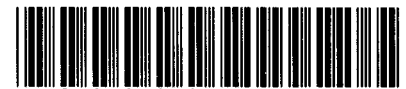


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BEFORE THE ARIZONA CORPORATION COMMISSION

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**IN THE MATTER OF THE
APPLICATION OF PICACHO PEAK
WATER CO., INC., FOR AUTHORITY
TO INCUR DEBT TO FINANCE
WATER SYSTEM IMPROVEMENTS**

Docket No. W-02351A-07-0319

**AMENDED FINANCE
APPLICATION**

Picacho Peak Water Company, Inc. ("Company" or "Applicant") hereby amends its Finance Application filed on May 22, 2007. This amendment is necessary to incorporate proforma adjustments to the previously submitted balance sheet and income statements. These adjustments are based upon the Company's updated data submitted in the rate case filed in conjunction with this matter.

PRELIMINARY STATEMENT

The Company is a public service corporation subject to regulation by the Arizona Corporation Commission ("Commission") as a water utility. The Company holds a

1 Certificate of Convenience and Necessity ("CC&N") near Picacho Peak, Arizona. The
2 Company has only 5 residential customer connections and 9 commercial customer
3 connections.
4

5 The Company operates like a non-profit cooperative. Every customer is treated as
6 an owner and allowed to vote on Company managerial matters. The owners intend to
7 collect only enough money necessary to cover expenses and maintain reasonable savings
8 in case of emergency.
9

10 The Company's current rates have been in effect since 1982. Over the past 25
11 years, the Company's owners, customers, managers, and operators have changed several
12 times. In 2000, the Company applied for an emergency rate case, but the application was
13 withdrawn for reasons unknown to the Company's current management. Since then,
14 however, the Company's owners/customers have voluntarily given the Company
15 additional revenue through higher rates to enable the Company to remain solvent.
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18 Finally, water quality testing has shown that the nitrate levels in the Company's
19 source water exceed federal standards. Working with Arizona Department of
20 Environmental Quality ("ADEQ") staff as well as Commission staff, the Company
21 funded numerous feasibility studies and investigated alternatives for treating nitrates.
22 Based on what it learned, the Company voluntarily entered into a consent order with
23 ADEQ to find a way to treat the water using point of use technology or other viable
24 treatment solutions. See Finance Application filed May 22, 2007.
25
26

27 The Company has applied to the Water Infrastructure Finance Authority ("WIFA")
28 for a \$150,000 loan to finance the requisite equipment necessary to treat the water.

WIFA has ranked the Company third on the 2007 Priority List for Drinking Water Revolving Fund. But WIFA will not fund the proposed loan until after the Commission authorizes the Company to enter into the loan agreement through a financing application proceeding. Therefore, the Company is submitting this application to receive authority to borrow \$150,000 from WIFA to construct nitrate treatment infrastructure.

INFORMATION REQUESTED ON APPLICATION FORM

1. Applicant's Name and Address.

Picacho Peak Water Company, Inc.
Mr. Bill McCabe, President
150 Louisiana NE
Albuquerque, NM 87108

2. Person Authorized to Receive Communications.

Steve Wene, No, 19630
Moyes Storey, Ltd.
1850 North Central Ave., Suite 1100
Phoenix, Arizona 85004
Telephone: (602) 604-2189
Facsimile: (602) 274-9135

3. Financing Description.

If the Commission authorizes the proposed debt, then WIFA will lend the Company \$150,000 for 20 years through the Drinking Water Revolving Fund. WIFA does not offer finance terms until the Commission authorizes water providers like the Company to incur debt. However, assuming an interest rate of 8%, which is consistent with WIFA's terms, an estimated summary of the material terms is set forth below:

Amount Financed	Term in Years	Interest Rate	Monthly Payment	Annual Cash Needed	Annual Interest Expense
\$150,000	20	8%	\$1,254.66	\$15,055.92	\$11,885.42

1 The Company understands that the Commission and WIFA have a standard working
2 arrangement to accommodate WIFA's loan practices. Accordingly, Commission staff
3 may want to contact the following WIFA staff person:

4 Angie Valenzuela
5 Senior Loan Officer
6 Water Infrastructure Finance Authority
7 1110 W. Washington Street, Suite 290
8 Phoenix, Arizona 85007

8 **4. Proceeds Statement.**

9 Gross proceeds will be \$150,000. WIFA has a combined interest and fee rate
10 structure, so there are no issuance expenses. This means that the Company will net
11 \$150,000 from the proposed loan.

12 **5. Plant to be Acquired Using Net Proceeds.**

13 The proceeds will be used to purchase and install treatment facilities. ADEQ has
14 agreed that reverse osmosis systems can be installed at specific points where drinking
15 water is most likely dispensed. For the larger commercial facilities, large reverse
16 osmosis systems will be employed. The exact plant size and capacity for each customer
17 will be determined by the engineer to be employed for this project.

18 **6. Consistency with A.R.S. § 40-301 et seq.**

19 The proposed financing is: (a) within the Company's corporate powers, (b)
20 compatible with the public interest; (c) compatible with sound financial practices; (d)
21 compatible with the proper performance by the applicant of service as a public service
22 corporation; and (e) will not impair the Company's ability to perform that service.

23 **7. Service Fees.**

24 WIFA does not charge service fees. Under WIFA's combined interest and fee rate
25 structure, the Company anticipates paying a fixed interest rate of prime plus 2%
26 multiplied by a subsidy rate index set by WIFA. WIFA is offering the Company a 75%
27
28

1 subsidy rate, so the effective interest rate will be Prime + 2% x 75%. This below-market
2 rate loan is customary for WIFA and is reasonable for the Commission to approve.

3 **8. Documents to be executed in the matter.**

4 There are no documents to be executed in this matter at this time.

5 **9. Pro Forma Balance Sheet and Income Statement.**

6 A Company pro forma balance sheet is attached as Exhibit 1. A Company pro
7 form income statement is attached as Exhibit 2.

8 **10. Customer Notice.**

9 Notice of the proposed financing has already been provided to the customers and
10 nothing herein affects the accuracy of that notice.

11 **REQUEST FOR APPROVAL**

12
13 As set forth in this Application, the Company requests that the Commission
14 authorize the financing described herein.

15 DATED this 13th day of December, 2007.

16
17 **MOYES STOREY, LTD.**

18 Steve Wene

19 Steve Wene
20 1850 North Central Avenue, Suite. 1100
21 Phoenix, AZ 80004
(602) 604-2189

22 **Original and 13 copies filed this**
23 **13th day of December, 2007, with:**

24 Docket Control
25 Arizona Corporation Commission
26 1200 West Washington
Phoenix, Arizona 85007

27 Donnelly Herbert
28

Exhibit 1

Pro Forma Balance Sheet

Picacho Peak Water Company
Balance Sheet as of 12/31/06
Includes Proforma Adjustments for WIFA Financing

Acct. No.	ASSETS	ACTUAL BALANCE AT TEST YEAR END - 12/31/2006	WIFA LOAN PROFORMA ADJUST- MENTS	WIFA AND RATE CASE ADJ BAL AT TEST YEAR END - 12/31/2006
	CURRENT AND ACCRUED ASSETS			
131	Cash	\$ 13,409	\$ -	\$ 13,409
134	Working Funds			
135	Temporary Cash Investments			
141	Customer Accounts Receivable	6,618	-	6,618
146	Notes/Receivables from Associated Companies			
151	Plant Material and Supplies			
162	Prepayments			
174	Miscellaneous Current and Accrued Assets			
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 20,027	\$ -	\$ 20,027
	FIXED ASSETS			
101	Utility Plant in Service	\$ 169,204	\$ 150,000	\$ 319,204
103	Property Held for Future Use			
105	Construction Work In Progress			
108	Accumulated Depreciation - Utility Plant ("AD-UP")	(148,029)	-	(148,029)
121	Non-Utility Property			
122	Accumulated Depreciation - Non Utility ("AD-NU")			
	TOTAL FIXED ASSETS	\$ 21,175	\$ 150,000	\$ 171,175
	TOTAL ASSETS	\$ 41,202	\$ 150,000	\$ 191,202

Picacho Peak Water Company
Balance Sheet as of 12/31/06 (continued)
Includes Proforma Adjustments for WIFA Financing

Acct. No.	LIABILITIES	ACTUAL BALANCE AT TEST YEAR END - 12/31/2006	WIFA LOAN PROFORMA ADJUST- MENTS	WIFA AND RATE CASE ADJ BAL AT TEST YEAR END - 12/31/2006
	CURRENT LIABILITIES			
231	Accounts Payable	\$ 1,100		\$ 1,100
232	Notes Payable (Current Portion)			
234	Notes/Accounts Payable to Associated Companies			
235	Customer Deposits			
236	Accrued Taxes			
237	Accrued Interest			
241	Miscellaneous Current and Accrued Liabilities			-
	TOTAL CURRENT LIABILITIES	\$ 1,100	\$ -	\$ 1,100
	LONG-TERM DEBT (Over 12 Months)			
224	Long-Term Notes and Bonds	\$ 50,973	\$ 150,000	\$ 200,973
	DEFERRED CREDITS			
251	Unamortized Premium on Debt			
252	Advances in Aid of Construction			
255	Accumulated Deferred Investment Tax Credits			
271	Gross Contributions in Aid of Construction	17,405.00		
272	Less: Amortization of contributions	(17,405.00)		
281	Accumulated Deferred Income Tax			
	TOTAL DEFERRED CREDITS	\$ -	\$ -	\$ -
	TOTAL LIABILITIES	\$ 52,073	\$ 150,000	\$ 202,073
	CAPITAL ACCOUNTS			
201	Common Stock Issued			\$ -
211	Paid in Capital in Excess of Par Value			-
215	Retained Earnings	(10,871)		(10,871)
218	Proprietary Capital (Sole Props and Partnerships)			
	TOTAL CAPITAL	(10,871)	-	(10,871)
	TOTAL LIABILITIES AND CAPITAL	\$ 41,202	\$ 150,000	\$ 191,202

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Exhibit 2
Pro Forma Income Statement

Picacho Peak Water Company
Income Statement from January through December of 2006
Includes Proforma Adjustments for WIFA Financing

Acct. No.	OPERATING REVENUES	TEST YEAR ACTUAL	RATE CASE PROFORMA ADJUST- MENTS	ADJUSTED TEST YEAR FOR RATE CASE	WIFA LOAN PROFORMA ADJUST- MENTS	WIFA AND RATE CASE TEST YEAR
461	Metered Water Revenue	\$ 37,949	\$ (6,121)	\$ 31,828	\$ 27,000	\$ 58,828
460	Unmetered Water Revenue	-	-	-	-	-
474	Other Water Revenues	-	-	-	-	-
	TOTAL OPERATING REVENUES	\$ 37,949	\$ (6,121)	\$ 31,828	\$ 27,000	\$ 58,828
	OPERATING EXPENSES					
601	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -
610	Purchased Water	-	-	-	-	-
615	Purchased Power	4,333	-	4,333	-	4,333
618	Chemicals	-	-	-	-	-
620	Repairs and Maintenance	-	-	-	-	-
621	Office Supplies & Expense	-	-	-	-	-
630	Outside Services	19,326	(1,604)	17,722	-	17,722
635	Water Testing	1,044	(266)	778	-	778
641	Rents	-	-	-	-	-
650	Transportation Expenses	-	-	-	-	-
657	Insurance - General Liability	1,620	-	1,620	-	1,620
659	Insurance - Health and Life	-	-	-	-	-
666	Regulatory Commsn Exp-Rate Case	2,000	3,921	5,921	-	5,921
675	Miscellaneous Expense	145	-	145	-	145
403	Depreciation Expense	8,227	(6,618)	1,609	4,995	6,604
408	Taxes Other Than Income	-	-	-	-	-
408.1	Property Taxes	-	2,922	2,922	-	2,922
409	Income Tax	45	-	45	754	799
	TOTAL OPERATING EXPENSES	\$ 36,740	\$ (1,645)	\$ 35,095	\$ 5,749	\$ 40,844
	OPERATING INCOME/(LOSS)	\$ 1,209	\$ (4,476)	\$ (3,267)	\$ 21,251	\$ 17,984
	OTHER INCOME/(EXPENSE)					
419	Interest and Dividend Income	\$ -	\$ -	\$ -	\$ -	\$ -
421	Non-Utility Income	-	-	-	-	-
426	Miscellaneous Non-Utility Exp	-	-	-	-	-
427	Interest Expense	3,078	-	3,078	11,885	14,963
	TOTAL OTHER INCOME/(EXPENSE)	\$ (3,078)	\$ -	\$ (3,078)	\$ (11,885)	\$ (14,963)
	NET INCOME/(LOSS)	\$ (1,869)	\$ (4,476)	\$ (6,345)	\$ 9,366	\$ 3,021